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for Debtors and Debtors-in-Possession

**UNITED STATES BANKRUPTCY COURT**  
**DISTRICT OF NEVADA**

In re:

- ☐ X-TREME BULLETS, INC.,
- ☐ AMMO LOAD WORLDWIDE, INC.,
- ☐ CLEARWATER BULLET, INC.,
- ☐ FREEDOM MUNITIONS, LLC,
- ☐ HOWELL MACHINE, INC.,
- ☒ HOWELL MUNITIONS & TECHNOLOGY, INC.,
- ☐ LEWIS-CLARK AMMUNITION COMPONENTS, LLC,
- ☐ COMPONENTS EXCHANGE, LLC,
- and
- ☐ All Debtors.

Debtors and  
Debtors-in-Possession.

Z.B., N.A. dba ZIONS FIRST NATIONAL  
BANK,

Plaintiff,

vs.

HOWELL MUNITIONS &  
TECHNOLOGY, INC. and

UNITED STATES OF AMERICA DEPT.

Jointly Administered under  
Case No. 18-50609-btb with  
Case Nos. 18-50610-btb; 18-50611-btb;  
18-50613-btb; 18-50614-btb; 18-50615-btb;  
18-50616-btb; and 18-50617-btb  
Adversary Proceeding No. 18-05010-btb  
Chapter 11 Proceedings  
**ANSWER TO COMPLAINT (1) TO  
DETERMINE NATURE, EXTENT AND  
PROPRIETY OF INTERESTS IN  
PROPERTY AND (2) FOR DECLARATORY  
RELIEF**

Status Conference:

DATE: November 13, 2018  
TIME: 9:00 a.m.  
PLACE: Courtroom 2 (5<sup>th</sup> Floor)  
C. Clifton Young Federal Bldg.  
300 Booth Street  
Reno, NV 89509

OF THE TREASURY

Defendants.

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1 Howell Munitions & Technology, Inc. (“Defendant”) hereby submits the following *Answer*  
2 to that certain *Complaint (1) to Determine Nature, Extent and Priority of Interest in Property and*  
3 *(2) for Declaratory Relief* (“Complaint”) filed by Z.B., N.A. dba Zions First National Bank  
4 (“Plaintiff”).

5 **JURISDICTION AND VENUE**

6 1. In response to paragraph 1 of the Complaint, the Defendant admits each and every  
7 allegation contained therein.

8 **PARTIES**

9 2. In response to paragraph 2 of the Complaint, upon information and belief, the  
10 Defendant denies each and every allegation contained therein.

11 3. In response to paragraph 3 of the Complaint, the Defendant admits each and every  
12 allegation contained therein.

13 4. In response to paragraph 4 of the Complaint, the Defendant admits each and every  
14 allegation contained therein.

15 **FACTUAL ALLEGATIONS**

16 5. In response to paragraph 5 of the Complaint, the Defendant denies all allegations in  
17 paragraph 5 of the Complaint.

18 6. In response to paragraph 6 of the Complaint, the Defendant admits that it and the  
19 other “Borrowers” identified in footnote 1, with the exception of Components Exchange, LLC,  
20 executed a Business Loan Agreement with the Plaintiff on May 22, 2014. The Defendant  
21 specifically denies any assertion that Components Exchange, LLC was ever a Borrower under the  
22 May 22, 2014 Business Loan Agreement or ever borrowed any funds from the Plaintiff. The  
23 Defendant denies that any use of the term, “Borrower,” in the Complaint should include any  
24 reference to Components Exchange, LLC.

25 7. In response to paragraph 7 of the Complaint, the Defendant admits each and every  
26 allegation contained therein.

27 8. In response to paragraph 8 of the Complaint, the Defendant admits each and every  
28 allegation contained therein.

1           9.       In response to paragraph 9 of the Complaint, the Defendant admits the allegation  
2 that a true and correct copy of the First Modification to Business Loan is attached as Exhibit 4 to  
3 the Complaint. The Defendant submits that the terms of the First Modification to Business Loan  
4 speak for themselves and, on that basis, except as expressly admitted to herein, denies the  
5 allegations set forth in paragraph 9 of the Complaint.

6           10.      In response to paragraph 10 of the Complaint, the Defendant admits the allegation  
7 that a true and correct copy of the Second Loan Modification Agreement is attached as Exhibit 5 to  
8 the Complaint. The Defendant submits that the terms of the Second Loan Modification Agreement  
9 speak for themselves and, on that basis, except as expressly admitted to herein, denies the  
10 allegations set forth in paragraph 10 of the Complaint.

11          11.      In response to paragraph 11a of the Complaint, the Defendant admits the allegations  
12 that a true and correct copy of the Second Note 9001 is attached as Exhibit 6 to the Complaint, that  
13 a true and correct copy of the First Amended and Restated Promissory Note (9001) is attached as  
14 Exhibit 7 to the Complaint, that a true and correct copy of the Second Amended and Restated  
15 Promissory Note (9001) is attached as Exhibit 8 to the Complaint, and that a true and correct copy  
16 of the Third Amended and Restated Promissory Note is attached as Exhibit 9 to the Complaint.  
17 The Defendant submits that the terms of the Second Note 9001, the First Amended and Restated  
18 Promissory Note (9001), the Second Amended and Restated Promissory Note (9001), and the  
19 Third Amended and Restated Promissory Note speak for themselves and, on that basis, except as  
20 expressly admitted to herein, denies the allegations set forth in paragraph 11a of the Complaint.

21          12.      In response to paragraph 11b of the Complaint, the Defendant admits each and  
22 every allegation contained therein.

23          13.      In response to paragraph 11c of the Complaint, the Defendant admits each and  
24 every allegation contained therein.

25          14.      In response to paragraph 11d of the Complaint, the Defendant admits each and  
26 every allegation contained therein.

27          15.      In response to paragraph 11e of the Complaint, the Defendant admits each and  
28 every allegation contained therein.

1           16. In response to paragraph 11f of the Complaint, the Defendant admits each and  
2 every allegation contained therein.

3           17. In response to paragraph 12 of the Complaint, the Defendant lacks sufficient  
4 information to either admit or deny the allegations therein and, on that basis, denies all allegations  
5 in paragraph 12.

6           18. In response to paragraph 13, the Defendant admits that, on May 22, 2014, David  
7 Howell and other entities, not including Components Exchange, Inc., executed a Commercial  
8 Security Agreement, and that a true and correct copy of the Commercial Security Agreement is  
9 attached as Exhibit 16 to the Complaint. The Defendant submits that the terms of the Commercial  
10 Security Agreement speak for themselves and, on that basis, except as expressly admitted to  
11 herein, denies the allegations set forth in paragraph 13 of the Complaint.

12           19. In response to paragraph 14 of the Complaint, the Defendant admits each and every  
13 allegation contained therein.

14           20. In response to paragraph 15 of the Complaint, the Defendant lacks information  
15 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
16 Paragraph 15 of the Complaint.

17           21. In response to paragraph 16 of the Complaint, the Defendant admits that on  
18 February 13, 2017, the Plaintiff's counsel sent a letter to Ammo Load Worldwide, Inc., Big  
19 Canyon Environmental, LLC, Clearwater Bullet, Inc., Freedom Munitions, LLC, Howell Machine,  
20 Inc., Lewis-Clark Ammunition Components, LLC, Twin River Contract Loading, Inc., X-Treme  
21 Bullets, Inc., Howell Munitions & Technology, Inc., Components Exchange, LLC, and David C.  
22 Howell, and that a true and correct copy of such letter is attached as Exhibit 18 to the Complaint.  
23 The Defendant submits that the letter speaks for itself and, on that basis, except as expressly  
24 admitted to herein, denies the allegations set forth in paragraph 16 of the Complaint.

25           22. In response to paragraph 17 of the Complaint, the Defendant lacks information  
26 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
27 Paragraph 17 of the Complaint.  
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1           23.     In response to paragraph 18 of the Complaint, the Defendant lacks information  
2 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
3 Paragraph 18 of the Complaint.

4           24.     In response to paragraph 19 of the Complaint, the Defendant lacks information  
5 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
6 Paragraph 19 of the Complaint.

7           25.     In response to paragraph 20 of the Complaint, the Defendant lacks information  
8 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
9 Paragraph 20 of the Complaint.

10          26.     In response to paragraph 21 of the Complaint, the Defendant lacks information  
11 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
12 Paragraph 21 of the Complaint.

13          27.     In response to paragraph 22 of the Complaint, the Defendant admits each and every  
14 allegation contained therein.

15          28.     In response to paragraph 23 of the Complaint, the Defendant lacks information  
16 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
17 Paragraph 23 of the Complaint.

18                                   **FIRST CAUSE OF ACTION**

19                   **(Determination of Nature, Extent, and Priority of Zions' Interest in the Funds)**

20          29.     In response to paragraph 24 of the Complaint, the Defendant lacks information  
21 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
22 Paragraph 24 of the Complaint.

23          30.     In response to paragraph 25 of the Complaint, the Defendant lacks information  
24 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
25 Paragraph 25 of the Complaint.

26          31.     In response to paragraph 26 of the Complaint, the Defendant lacks information  
27 sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in  
28 Paragraph 26 of the Complaint.

**SECOND CAUSE OF ACTION**

**(Declaratory Relief)**

32. In response to paragraph 27 of the Complaint, the Defendant lacks information sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in Paragraph 27 of the Complaint.

33. In response to paragraph 28 of the Complaint, the Defendant lacks information sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in Paragraph 28 of the Complaint.

34. In response to paragraph 29 of the Complaint, the Defendant lacks information sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in Paragraph 29 of the Complaint.

35. In response to paragraph 30 of the Complaint, the Defendant lacks information sufficient to either admit or deny the allegations therein, and, on that basis, denies all allegations in Paragraph 30 of the Complaint.

**AFFIRMATIVE DEFENSES**

In asserting the following affirmative defenses, the Defendant does not purport to shift to the Defendant any burden of proof imposed upon the Plaintiff or assume the burden of proving any element of any claim asserted by the Plaintiff. To the extent that any defense asserted below is not considered to be a affirmative defense, but rather part of Plaintiff's burden of proof or an element which Plaintiff must prove, such matter shall remain a part of Plaintiff's burden notwithstanding any characterization herein which may indicate the contrary.

**First Affirmative Defense**

The Plaintiff lacks standing to assert the purported claims for relief stated in the Complaint.

**Second Affirmative Defense**

The Plaintiff's purported causes of action fail to state any claims for relief for which relief may be granted.

**Third Affirmative Defense**

The Plaintiff's purported claims for relief are barred by the Plaintiff's unclean hands.

**Fourth Affirmative Defense**

The Plaintiff has failed to join necessary and indispensable parties to this action.

**Fifth Affirmative Defense**

The Complaint is uncertain, vague, and ambiguous.

**Sixth Affirmative Defense**

The Plaintiff's purported claims for relief have been waived, relinquished, and abandoned by the conduct and representations of the Plaintiff.

**Seventh Affirmative Defense**

As and for additional, separate and distinct affirmative defense to all causes of action, except only for the Plaintiff's allegations that the Funds are property of the Bankruptcy Estate, that the Funds are not subject to the Tax Lien, and that the Notice of Levy was insufficient to attach the Funds, the Defendant presently has insufficient knowledge or information upon which to form a belief as to whether additional affirmative defenses exist. The Defendant reserves the right to amend this Answer to assert additional affirmative defenses as warranted by discovery and further investigation.

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**Prayer for Relief**

**WHEREFORE**, the Defendant prays as follows:

1. That Plaintiff takes nothing under the Complaint;
2. For attorneys' fees and costs of suit herein; and
3. For such other and further relief as this Court may deem proper.

DATED: October 12, 2018

**WINTHROP COUCHOT  
GOLUBOW HOLLANDER, LLP**

By: \_\_\_\_\_  
Robert E. Opera  
Andrew B. Levin  
General Insolvency Counsel for  
Debtors and Debtors-in-Possession